

By

HammH.J.R. No. 51**DRAFT****FILED FEB 14 1989**

A JOINT RESOLUTION

proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article III of the Texas Constitution is amended by adding Section 49-i to read as follows:

Sec. 49-i. (a) The legislature by general law may provide for the issuance of general obligation bonds of the state, the proceeds of which shall be used to provide financial assistance to increase, improve, and expand products grown or produced primarily in Texas by agricultural businesses domiciled in Texas. Financial assistance may include loan guarantees, insurance, co-insurance, loans, and indirect loans or purchases or acceptances of assignments of loans or other obligations.

(b) The principal amount of bonds outstanding at one time may not exceed \$25 million dollars.

(c) The legislature may establish an interest and sinking fund. The legislature may provide for the investment of bond proceeds and of the interest and sinking fund. Income from the investments shall be used to create new employment and business opportunities in Texas through the diversification and expansion of agriculture and rural small businesses, as prescribed by the legislature.

1989 FEB 28 PM 1:51

HOUSE OF REPRESENTATIVES

I certify that the attached is a true and correct copy of HJR 51, which was filed of record on FEB 14 1989 and referred to the committee on: Agriculture & Livestock

Betty Murray

Chief Clerk of the House

DRAFT

(d) While any of the bonds or interest on the bonds is outstanding and unpaid, there is appropriated out of the first money coming into the treasury in each fiscal year not otherwise appropriated by this constitution an amount that is sufficient to pay the principal and interest on those bonds that mature or become due during the fiscal year, less the amount in the interest and sinking fund at the close of the prior fiscal year.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 7, 1989. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment authorizing financing to create new employment and business opportunities in Texas through the diversification and expansion of agriculture and rural small businesses."

HOUSE COMMITTEE REPORT

1st Printing

63 APR 23 PM 10:12
RECEIVED

By Harrison

H.J.R. No. 51

Substitute the following for H.J.R. No. 51:

By Harrison

C.S.H.J.R. No. 51

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature to
2 provide for the issuance of bonds and state financing of
3 development and production of Texas products and businesses.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Article III of the Texas Constitution is amended
6 by adding Section 49-i to read as follows:

7 Sec. 49-i. (a) The legislature by law may provide for the
8 issuance of general obligation bonds of the state for the purpose
9 of providing money to establish a Texas agricultural fund in the
10 state treasury to be used without further appropriation in the
11 manner provided by law. The fund shall be used only to provide
12 financial assistance to develop, increase, improve, or expand the
13 production, processing, marketing, or export of crops or products
14 grown or produced primarily in this state by agricultural
15 businesses domiciled in the state. Financial assistance may
16 include loan guarantees, insurance, coinsurance, loans, and
17 indirect loans or purchases or acceptances of assignments of loans
18 or other obligations.

19 (b) The principal amount of bonds outstanding at one time
20 may not exceed \$25 million.

21 (c) The legislature may establish an interest and sinking
22 account and other accounts within the Texas agricultural fund. The
23 legislature may provide for the investment of bond proceeds and of
24 the interest and sinking account. Income from the investment of

1 money in the fund that is not immediately committed to the payment
2 of the principal of and interest on the bonds or the provision of
3 financial assistance shall be used to create new employment and
4 business opportunities in the state through the diversification and
5 expansion of agricultural or rural small businesses, as provided by
6 the legislature.

7 (d) Bonds authorized under this section constitute a general
8 obligation of the state. While any of the bonds or interest on the
9 bonds is outstanding and unpaid, there is appropriated out of the
10 first money coming into the treasury in each fiscal year, not
11 otherwise appropriated by this constitution, the amount sufficient
12 to pay the principal of and interest on the bonds that mature or
13 become due during the fiscal year, less any amount in the interest
14 and sinking account at the close of the preceding fiscal year that
15 is pledged to payment of the bonds or interest.

16 SECTION 2. Article XVI of the Texas Constitution is amended
17 by adding Section 71 to read as follows:

18 Sec. 71. (a) The legislature by law may establish a Texas
19 product development fund to be used without further appropriation
20 solely in furtherance of a program established by the legislature
21 to aid in the development and production of new or improved
22 products in this state. The fund shall contain a program account,
23 an interest and sinking account, and other accounts authorized by
24 the legislature. To carry out the program authorized by this
25 subsection, the legislature may authorize loans, loan guarantees,
26 and equity investments using money in the Texas product development
27 fund and the issuance of up to \$25 million of general obligation

1 bonds to provide initial funding of the Texas product development
2 fund. The Texas product development fund is composed of the
3 proceeds of the bonds authorized by this subsection, loan
4 repayments, guarantee fees, royalty receipts, dividend income, and
5 other amounts received by the state from loans, loan guarantees,
6 and equity investments made under this subsection and any other
7 amounts required to be deposited in the Texas product development
8 fund by the legislature.

9 (b) The legislature by law may establish a Texas small
10 business incubator fund to be used without further appropriation
11 solely in furtherance of a program established by the legislature
12 to foster and stimulate the development of small businesses in the
13 state. The fund shall contain a project account, an interest and
14 sinking account, and other accounts authorized by the legislature.
15 A small business incubator operating under the program is exempt
16 from ad valorem taxation in the same manner as an institution of
17 purely public charity under Article VIII, Section 2, of this
18 constitution. To carry out the program authorized by this
19 subsection, the legislature may authorize loans and grants of money
20 in the Texas small business incubator fund and the issuance of up
21 to \$20 million of general obligation bonds to provide initial
22 funding of the Texas small business incubator fund. The Texas
23 small business incubator fund is composed of the proceeds of the
24 bonds authorized by this subsection, loan repayments, and other
25 amounts received by the state for loans or grants made under this
26 subsection and any other amounts required to be deposited in the
27 Texas small business incubator fund by the legislature.

1 (c) The legislature may require review and approval of the
2 issuance of bonds under this section, of the use of the bond
3 proceeds, or of the rules adopted by an agency to govern use of the
4 bond proceeds. Notwithstanding any other provision of this
5 constitution, any entity created or directed to conduct this review
6 and approval may include members, or appointees of members, of the
7 executive, legislative, and judicial departments of state
8 government.

9 (d) Bonds authorized under this section constitute a general
10 obligation of the state. While any of the bonds or interest on the
11 bonds is outstanding and unpaid, there is appropriated out of the
12 first money coming into the treasury in each fiscal year, not
13 otherwise appropriated by this constitution, the amount sufficient
14 to pay the principal of and interest on the bonds that mature or
15 become due during the fiscal year, less any amount in any interest
16 and sinking account at the end of the preceding fiscal year that is
17 pledged to payment of the bonds or interest.

18 SECTION 3. This proposed amendment shall be submitted to the
19 voters at an election to be held November 7, 1989. The ballot
20 shall be printed to provide for voting for or against the
21 proposition: "The constitutional amendment authorizing the
22 legislature to provide for the recovery and further development of
23 the state's economy, with goals of increasing job opportunities and
24 other benefits for Texas residents, through state financing of the
25 development and production of Texas products and businesses."

COMMITTEE REPORT

The Honorable Gib Lewis
Speaker of the House of Representatives

4-12-89
(date)

Sir:

We, your COMMITTEE ON AGRICULTURE AND LIVESTOCK,

to whom was referred H.J.R. 51 have had the same under consideration and beg to report
(measure)

back with the recommendation that it

() do pass, without amendment.

() do pass, with amendment(s).

☒ do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

A fiscal note was requested. ☒ yes () no

An actuarial analysis was requested. () yes ☒ no

An author's fiscal statement was requested. () yes ☒ no

A criminal justice policy impact statement was prepared. () yes ☒ no

A water development policy impact statement was requested. () yes ☒ no

() The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars for placement on the () Local, () Consent, or () Resolutions Calendar.

This measure () proposes new law. ☒ amends existing law.

House Sponsor of Senate Measure _____

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Harrison, Ch.	<input checked="" type="checkbox"/>			
Patterson, V.C.	<input checked="" type="checkbox"/>			
Earley, C.B.O.	<input checked="" type="checkbox"/>			
Cuellar, R.	<input checked="" type="checkbox"/>			
Edge	<input checked="" type="checkbox"/>			
Johnson, J.	<input checked="" type="checkbox"/>			
Kubiak				<input checked="" type="checkbox"/>
Robinson	<input checked="" type="checkbox"/>			
Waterfield	<input checked="" type="checkbox"/>			

Total

8 aye

0 nay

0 present, not voting

1 absent

Dudley Harrison
CHAIRMAN
Deborah K. Wall
COMMITTEE COORDINATOR

BILL ANALYSIS

H.J.R. 51 By Harrison

Committee on
Agriculture and Livestock

C.S.H.J.R. 51 by Harrison

BACKGROUND

General obligation bonds represent financing options for business research and development, new business start-ups, and business expansions. State product development funds and small business incubators have "proven track records with proven results" in other states. The implementation of these financing abilities conflicts with language in the Texas Constitution, thereby requiring a constitutional amendment to allow for the use of public funds to foster and support private initiatives.

PURPOSE

This resolution proposes a constitutional amendment which, if adopted by the voters of Texas in a general election, would authorize the state to issue general obligation bonds for the development of new or improved products; for the development of small businesses; and to assist agricultural businesses. The bill would create revolving funds, the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan payments and make debt service payments on general obligation bonds.

RULEMAKING AUTHORITY

It is the opinion of this committee that this bill does not delegate any rulemaking authority to a state agency, officer, department, or institution. However, it provides for the review and approval of the rules adopted by an agency to govern use of the bond proceeds.

SECTION-BY-SECTION ANALYSIS

SECTION 1. Amends Article III of the Texas Constitution by adding Section 49-i as follows:

Sec. 49-i. a) Provides for the issuance of general obligation bonds of the State, the proceeds of which shall be used to provide loans, insurance, loan guarantees and other appropriate forms of financial assistance to increase, improve and expand Texas agricultural products and businesses.

b) Limits the principal amount of bonds outstanding at one time to \$25 million dollars.

c) Provides that the Legislature may establish an interest and sinking fund. Provides that the Legislature may invest bond proceeds and of the interest and sinking fund. The Legislature can direct the use of the income from the investments.

d) Sets forth that bonds authorized under this section constitutes a general obligation. Details the payment of principal and interest on the bonds.

SECTION 2. Amends Article XVI of the Texas Constitution by adding Section 71 as follows:

Sec. 71. (a) Provides the Legislature with the authority to establish a Texas product development fund to aid in the development and production of new or improved products. Sets forth that the fund shall contain a program account, interest and sinking account, and other authorized accounts. Allows the Legislature to authorize loans and investments using the product development fund money, and to issue up to \$25 million in general obligation bonds to provide initial funding of the fund.

(b) Provides the Legislature with the authority to establish a Texas small business incubator fund. Sets forth that the fund shall contain a project account, an interest and sinking account, and other authorized accounts. Exempts small businesses operating under this program from ad valorem taxes as provided under Article VIII, Section 2 of the constitution. Allows the Legislature to authorize loans and grants, and to issue up to \$20 million in general obligation bonds to provide initial funding.

(c) Provides for review and approval of the issuance of bonds under this section, of the use of the bond proceeds, or of the rules adopted by an agency to govern use of the bond proceeds. Provides for membership of the review committee.

(d) Sets forth that bonds authorized under this section constitute a general obligation. Details the payment of principal and interest on the bonds.

SECTION 3. Sets forth that the election date of this amendment is November 7, 1989 and proposes the wording of the question on the ballot.

SUMMARY OF COMMITTEE ACTION

Public notice was posted in accordance to the rules and a public hearing was held on March 22, 1989. Rep. Harrison explained the bill. The following persons registered as resource witnesses:

John Vlcek, Assistant Commissioner for Marketing, representing the Texas Department of Agriculture,
Brian Muller, Marketing Division, Texas Department of Agriculture, and
Alice Reynolds, Marketing Division, Texas Department of Agriculture. The bill was left pending in committee.

On April 12, 1989, the full committee met in a public hearing and voted to report H.J.R. 51 as substituted with the recommendation that it do pass by a record vote of 8 ayes, 0 nays, 0 PNV and 1 absent.

COMPARISON OF ORIGINAL BILL TO SUBSTITUTE

The substitute provides the Legislature with the authority to establish a Texas Product Development fund to aid in the development and production of new or improved products and to issue \$25 million in general obligation bonds to provide initial funding of the fund, the original did not.

The substitute provides the Legislature the authority to establish a Texas small business incubator fund and to issue \$20 million general obligation bonds to provide initial funding, the original did not.

The substitute provides for review and approval of the issuance of bonds under Section 71, the original did not include Section 71.

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

R E V I S E D

April 20, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$70 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$70 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create revolving funds, the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if program revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State. The bill would allow the authority to utilize any excess fund balances in the general obligation bond interest and sinking fund reserve account to repay the principal and interest on revenue bonds should the need

occur. Furthermore, revenue bond debt service could be repaid with any other available funds such as fee, appropriations and donations.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>		
1990	\$2,250,000	\$2,250,000		
1991	5,790,000	5,790,000		
1992	5,790,000	5,790,000		
1993	5,790,000	5,790,000		
1994	5,790,000	5,790,000		

<u>Fiscal Year</u>	<u>Probable Challenge Grant Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board; Public Finance Authority; Department of Agriculture; Department of Commerce; Secretary of State; LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

April 18, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
 Public Finance Authority; Department of Agriculture;
 Department of Commerce; Secretary of State;
 LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

REVISED

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. In the event that program revenues are inadequate to provide for debt service on the general obligation bonds, there would be a cost to the General Revenue Fund to service the debt. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate to be repaid over 20 years, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Debt Service Out of the Texas Agriculture Fund</u>	<u>Probable Operating Cost to the Texas Department of Agriculture Out of the Texas Agricultural Fund</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Debt Service Out of the Texas Agricultural Fund and the General Revenue Fund</u>	<u>Probable Operating Cost to the Texas Department of Agriculture Out of the General Revenue Fund</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretary of State; LBB Staff: JO, JWH, AL, LD, CKM

ADOPTED

MAY 5 1989

Betty Murray
Chief Clerk
House of Representatives

By Harrison

H.J.R. No. 51

Substitute the following for H.J.R. No. 51:

By Harrison

C.S.H.J.R. No. 51

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature to
2 provide for the issuance of bonds and state financing of
3 development and production of Texas products and businesses.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Article III of the Texas Constitution is amended
6 by adding Section 49-i to read as follows:

7 Sec. 49-i. (a) The legislature by law may provide for the
8 issuance of general obligation bonds of the state for the purpose
9 of providing money to establish a Texas agricultural fund in the
10 state treasury to be used without further appropriation in the
11 manner provided by law. The fund shall be used only to provide
12 financial assistance to develop, increase, improve, or expand the
13 production, processing, marketing, or export of crops or products
14 grown or produced primarily in this state by agricultural
15 businesses domiciled in the state. Financial assistance may
16 include loan guarantees, insurance, coinsurance, loans, and
17 indirect loans or purchases or acceptances of assignments of loans
18 or other obligations.

19 (b) The principal amount of bonds outstanding at one time
20 may not exceed \$25 million.

21 (c) The legislature may establish an interest and sinking
22 account and other accounts within the Texas agricultural fund. The
23 legislature may provide for the investment of bond proceeds and of
24 the interest and sinking account. Income from the investment of

1 money in the fund that is not immediately committed to the payment
2 of the principal of and interest on the bonds or the provision of
3 financial assistance shall be used to create new employment and
4 business opportunities in the state through the diversification and
5 expansion of agricultural or rural small businesses, as provided by
6 the legislature.

7 (d) Bonds authorized under this section constitute a general
8 obligation of the state. While any of the bonds or interest on the
9 bonds is outstanding and unpaid, there is appropriated out of the
10 first money coming into the treasury in each fiscal year, not
11 otherwise appropriated by this constitution, the amount sufficient
12 to pay the principal of and interest on the bonds that mature or
13 become due during the fiscal year, less any amount in the interest
14 and sinking account at the close of the preceding fiscal year that
15 is pledged to payment of the bonds or interest.

16 SECTION 2. Article XVI of the Texas Constitution is amended
17 by adding Section 71 to read as follows:

18 Sec. 71. (a) The legislature by law may establish a Texas
19 product development fund to be used without further appropriation
20 solely in furtherance of a program established by the legislature
21 to aid in the development and production of new or improved
22 products in this state. The fund shall contain a program account,
23 an interest and sinking account, and other accounts authorized by
24 the legislature. To carry out the program authorized by this
25 subsection, the legislature may authorize loans, loan guarantees,
26 and equity investments using money in the Texas product development
27 fund and the issuance of up to \$25 million of general obligation

1 bonds to provide initial funding of the Texas product development
2 fund. The Texas product development fund is composed of the
3 proceeds of the bonds authorized by this subsection, loan
4 repayments, guarantee fees, royalty receipts, dividend income, and
5 other amounts received by the state from loans, loan guarantees,
6 and equity investments made under this subsection and any other
7 amounts required to be deposited in the Texas product development
8 fund by the legislature.

9 (b) The legislature by law may establish a Texas small
10 business incubator fund to be used without further appropriation
11 solely in furtherance of a program established by the legislature
12 to foster and stimulate the development of small businesses in the
13 state. The fund shall contain a project account, an interest and
14 sinking account, and other accounts authorized by the legislature.
15 A small business incubator operating under the program is exempt
16 from ad valorem taxation in the same manner as an institution of
17 purely public charity under Article VIII, Section 2, of this
18 constitution. To carry out the program authorized by this
19 subsection, the legislature may authorize loans and grants of money
20 in the Texas small business incubator fund and the issuance of up
21 to \$20 million of general obligation bonds to provide initial
22 funding of the Texas small business incubator fund. The Texas
23 small business incubator fund is composed of the proceeds of the
24 bonds authorized by this subsection, loan repayments, and other
25 amounts received by the state for loans or grants made under this
26 subsection and any other amounts required to be deposited in the
27 Texas small business incubator fund by the legislature.

1 (c) The legislature may require review and approval of the
2 issuance of bonds under this section, of the use of the bond
3 proceeds, or of the rules adopted by an agency to govern use of the
4 bond proceeds. Notwithstanding any other provision of this
5 constitution, any entity created or directed to conduct this review
6 and approval may include members, or appointees of members, of the
7 executive, legislative, and judicial departments of state
8 government.

9 (d) Bonds authorized under this section constitute a general
10 obligation of the state. While any of the bonds or interest on the
11 bonds is outstanding and unpaid, there is appropriated out of the
12 first money coming into the treasury in each fiscal year, not
13 otherwise appropriated by this constitution, the amount sufficient
14 to pay the principal of and interest on the bonds that mature or
15 become due during the fiscal year, less any amount in any interest
16 and sinking account at the end of the preceding fiscal year that is
17 pledged to payment of the bonds or interest.

18 SECTION 3. This proposed amendment shall be submitted to the
19 voters at an election to be held November 7, 1989. The ballot
20 shall be printed to provide for voting for or against the
21 proposition: "The constitutional amendment authorizing the
22 legislature to provide for the recovery and further development of
23 the state's economy, with goals of increasing job opportunities and
24 other benefits for Texas residents, through state financing of the
25 development and production of Texas products and businesses."

HOUSE ENGROSSMENT

By Harrison

H.J.R. No. 51

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature to
2 provide for the issuance of bonds and state financing of
3 development and production of Texas products and businesses.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Article III of the Texas Constitution is amended
6 by adding Section 49-i to read as follows:

7 Sec. 49-i. (a) The legislature by law may provide for the
8 issuance of general obligation bonds of the state for the purpose
9 of providing money to establish a Texas agricultural fund in the
10 state treasury to be used without further appropriation in the
11 manner provided by law. The fund shall be used only to provide
12 financial assistance to develop, increase, improve, or expand the
13 production, processing, marketing, or export of crops or products
14 grown or produced primarily in this state by agricultural
15 businesses domiciled in the state. Financial assistance may
16 include loan guarantees, insurance, coinsurance, loans, and
17 indirect loans or purchases or acceptances of assignments of loans
18 or other obligations.

19 (b) The principal amount of bonds outstanding at one time
20 may not exceed \$25 million.

21 (c) The legislature may establish an interest and sinking
22 account and other accounts within the Texas agricultural fund. The
23 legislature may provide for the investment of bond proceeds and of
24 the interest and sinking account. Income from the investment of

1 money in the fund that is not immediately committed to the payment
 2 of the principal of and interest on the bonds or the provision of
 3 financial assistance shall be used to create new employment and
 4 business opportunities in the state through the diversification and
 5 expansion of agricultural or rural small businesses, as provided by
 6 the legislature.

7 (d) Bonds authorized under this section constitute a general
 8 obligation of the state. While any of the bonds or interest on the
 9 bonds is outstanding and unpaid, there is appropriated out of the
 10 first money coming into the treasury in each fiscal year, not
 11 otherwise appropriated by this constitution, the amount sufficient
 12 to pay the principal of and interest on the bonds that mature or
 13 become due during the fiscal year, less any amount in the interest
 14 and sinking account at the close of the preceding fiscal year that
 15 is pledged to payment of the bonds or interest.

16 SECTION 2. Article XVI of the Texas Constitution is amended
 17 by adding Section 71 to read as follows:

18 Sec. 71. (a) The legislature by law may establish a Texas
 19 product development fund to be used without further appropriation
 20 solely in furtherance of a program established by the legislature
 21 to aid in the development and production of new or improved
 22 products in this state. The fund shall contain a program account,
 23 an interest and sinking account, and other accounts authorized by
 24 the legislature. To carry out the program authorized by this
 25 subsection, the legislature may authorize loans, loan guarantees,
 26 and equity investments using money in the Texas product development
 27 fund and the issuance of up to \$25 million of general obligation

1 bonds to provide initial funding of the Texas product development
 2 fund. The Texas product development fund is composed of the
 3 proceeds of the bonds authorized by this subsection, loan
 4 repayments, guarantee fees, royalty receipts, dividend income, and
 5 other amounts received by the state from loans, loan guarantees,
 6 and equity investments made under this subsection and any other
 7 amounts required to be deposited in the Texas product development
 8 fund by the legislature.

9 (b) The legislature by law may establish a Texas small
 10 business incubator fund to be used without further appropriation
 11 solely in furtherance of a program established by the legislature
 12 to foster and stimulate the development of small businesses in the
 13 state. The fund shall contain a project account, an interest and
 14 sinking account, and other accounts authorized by the legislature.
 15 A small business incubator operating under the program is exempt
 16 from ad valorem taxation in the same manner as an institution of
 17 purely public charity under Article VIII, Section 2, of this
 18 constitution. To carry out the program authorized by this
 19 subsection, the legislature may authorize loans and grants of money
 20 in the Texas small business incubator fund and the issuance of up
 21 to \$20 million of general obligation bonds to provide initial
 22 funding of the Texas small business incubator fund. The Texas
 23 small business incubator fund is composed of the proceeds of the
 24 bonds authorized by this subsection, loan repayments, and other
 25 amounts received by the state for loans or grants made under this
 26 subsection and any other amounts required to be deposited in the
 27 Texas small business incubator fund by the legislature.

1 (c) The legislature may require review and approval of the
 2 issuance of bonds under this section, of the use of the bond
 3 proceeds, or of the rules adopted by an agency to govern use of the
 4 bond proceeds. Notwithstanding any other provision of this
 5 constitution, any entity created or directed to conduct this review
 6 and approval may include members, or appointees of members, of the
 7 executive, legislative, and judicial departments of state
 8 government.

9 (d) Bonds authorized under this section constitute a general
 10 obligation of the state. While any of the bonds or interest on the
 11 bonds is outstanding and unpaid, there is appropriated out of the
 12 first money coming into the treasury in each fiscal year, not
 13 otherwise appropriated by this constitution, the amount sufficient
 14 to pay the principal of and interest on the bonds that mature or
 15 become due during the fiscal year, less any amount in any interest
 16 and sinking account at the end of the preceding fiscal year that is
 17 pledged to payment of the bonds or interest.

18 SECTION 3. This proposed amendment shall be submitted to the
 19 voters at an election to be held November 7, 1989. The ballot
 20 shall be printed to provide for voting for or against the
 21 proposition: "The constitutional amendment authorizing the
 22 legislature to provide for the recovery and further development of
 23 the state's economy, with goals of increasing job opportunities and
 24 other benefits for Texas residents, through state financing of the
 25 development and production of Texas products and businesses."

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

R E V I S E D

April 20, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$70 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$70 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create revolving funds, the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if program revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State. The bill would allow the authority to utilize any excess fund balances in the general obligation bond interest and sinking fund reserve account to repay the principal and interest on revenue bonds should the need

occur. Furthermore, revenue bond debt service could be repaid with any other available funds such as fee, appropriations and donations.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>		
1990	\$2,250,000	\$2,250,000		
1991	5,790,000	5,790,000		
1992	5,790,000	5,790,000		
1993	5,790,000	5,790,000		
1994	5,790,000	5,790,000		

<u>Fiscal Year</u>	<u>Probable Challenge Grant Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
Public Finance Authority; Department of Agriculture;
Department of Commerce; Secretary of State;
LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

April 18, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
 Public Finance Authority; Department of Agriculture;
 Department of Commerce; Secretary of State;
 LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

REVISED

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. In the event that program revenues are inadequate to provide for debt service on the general obligation bonds, there would be a cost to the General Revenue Fund to service the debt. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate to be repaid over 20 years, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Debt Service Out of the Texas Agriculture Fund</u>	<u>Probable Operating Cost to the Texas Department of Agriculture Out of the Texas Agricultural Fund</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

5

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Debt Service Out of the Texas Agricultural Fund and the General Revenue Fund</u>	<u>Probable Operating Cost to the Texas Department of Agriculture Out of the General Revenue Fund</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

1 By: Harrison (Senate Sponsor - Edwards) H.J.R. No. 51
2 (In the Senate - Received from the House May 8, 1989;
3 May 9, 1989, read first time and referred to Committee on State
4 Affairs; May 25, 1989, reported favorably by the following vote:
5 Yeas 7, Nays 2; May 25, 1989, sent to printer.)

6 COMMITTEE VOTE

	Yea	Nay	PNV	Absent
7 Montford	x			
8 Henderson		x		
9 Armbrister	x			
10 Caperton				x
11 Edwards	x			
12 Glasgow	x			
13 Green	x			
14 Harris				x
15 Leedom		x		
16 Lyon	x			
17 McFarland	x			
18 Parmer				x
19 Washington				x

21 A JOINT RESOLUTION

22 proposing a constitutional amendment authorizing the legislature to
23 provide for the issuance of bonds and state financing of
24 development and production of Texas products and businesses.

25 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

26 SECTION 1. Article III of the Texas Constitution is amended
27 by adding Section 49-i to read as follows:

28 Sec. 49-i. (a) The legislature by law may provide for the
29 issuance of general obligation bonds of the state for the purpose
30 of providing money to establish a Texas agricultural fund in the
31 state treasury to be used without further appropriation in the
32 manner provided by law. The fund shall be used only to provide
33 financial assistance to develop, increase, improve, or expand the
34 production, processing, marketing, or export of crops or products
35 grown or produced primarily in this state by agricultural
36 businesses domiciled in the state. Financial assistance may
37 include loan guarantees, insurance, coinsurance, loans, and
38 indirect loans or purchases or acceptances of assignments of loans
39 or other obligations.

40 (b) The principal amount of bonds outstanding at one time
41 may not exceed \$25 million.

42 (c) The legislature may establish an interest and sinking
43 account and other accounts within the Texas agricultural fund. The
44 legislature may provide for the investment of bond proceeds and of
45 the interest and sinking account. Income from the investment of
46 money in the fund that is not immediately committed to the payment
47 of the principal of and interest on the bonds or the provision of
48 financial assistance shall be used to create new employment and
49 business opportunities in the state through the diversification and
50 expansion of agricultural or rural small businesses, as provided by
51 the legislature.

52 (d) Bonds authorized under this section constitute a general
53 obligation of the state. While any of the bonds or interest on the
54 bonds is outstanding and unpaid, there is appropriated out of the
55 first money coming into the treasury in each fiscal year, not
56 otherwise appropriated by this constitution, the amount sufficient
57 to pay the principal of and interest on the bonds that mature or
58 become due during the fiscal year, less any amount in the interest
59 and sinking account at the close of the preceding fiscal year that
60 is pledged to payment of the bonds or interest.

61 SECTION 2. Article XVI of the Texas Constitution is amended
62 by adding Section 71 to read as follows:

63 Sec. 71. (a) The legislature by law may establish a Texas
64 product development fund to be used without further appropriation
65 solely in furtherance of a program established by the legislature
66 to aid in the development and production of new or improved
67 products in this state. The fund shall contain a program account,
68 an interest and sinking account, and other accounts authorized by
69 the legislature. To carry out the program authorized by this
70 subsection, the legislature may authorize loans, loan guarantees,

1 and equity investments using money in the Texas product development
2 fund and the issuance of up to \$25 million of general obligation
3 bonds to provide initial funding of the Texas product development
4 fund. The Texas product development fund is composed of the
5 proceeds of the bonds authorized by this subsection, loan
6 repayments, guarantee fees, royalty receipts, dividend income, and
7 other amounts received by the state from loans, loan guarantees,
8 and equity investments made under this subsection and any other
9 amounts required to be deposited in the Texas product development
10 fund by the legislature.

11 (b) The legislature by law may establish a Texas small
12 business incubator fund to be used without further appropriation
13 solely in furtherance of a program established by the legislature
14 to foster and stimulate the development of small businesses in the
15 state. The fund shall contain a project account, an interest and
16 sinking account, and other accounts authorized by the legislature.
17 A small business incubator operating under the program is exempt
18 from ad valorem taxation in the same manner as an institution of
19 purely public charity under Article VIII, Section 2, of this
20 constitution. To carry out the program authorized by this
21 subsection, the legislature may authorize loans and grants of money
22 in the Texas small business incubator fund and the issuance of up
23 to \$20 million of general obligation bonds to provide initial
24 funding of the Texas small business incubator fund. The Texas
25 small business incubator fund is composed of the proceeds of the
26 bonds authorized by this subsection, loan repayments, and other
27 amounts received by the state for loans or grants made under this
28 subsection and any other amounts required to be deposited in the
29 Texas small business incubator fund by the legislature.

30 (c) The legislature may require review and approval of the
31 issuance of bonds under this section, of the use of the bond
32 proceeds, or of the rules adopted by an agency to govern use of the
33 bond proceeds. Notwithstanding any other provision of this
34 constitution, any entity created or directed to conduct this review
35 and approval may include members, or appointees of members, of the
36 executive, legislative, and judicial departments of state
37 government.

38 (d) Bonds authorized under this section constitute a general
39 obligation of the state. While any of the bonds or interest on the
40 bonds is outstanding and unpaid, there is appropriated out of the
41 first money coming into the treasury in each fiscal year, not
42 otherwise appropriated by this constitution, the amount sufficient
43 to pay the principal of and interest on the bonds that mature or
44 become due during the fiscal year, less any amount in any interest
45 and sinking account at the end of the preceding fiscal year that is
46 pledged to payment of the bonds or interest.

47 SECTION 3. This proposed amendment shall be submitted to the
48 voters at an election to be held November 7, 1989. The ballot
49 shall be printed to provide for voting for or against the
50 proposition: "The constitutional amendment authorizing the
51 legislature to provide for the recovery and further development of
52 the state's economy, with goals of increasing job opportunities and
53 other benefits for Texas residents, through state financing of the
54 development and production of Texas products and businesses."

55 * * * * *

56 Austin, Texas
57 May 25, 1989

58 Hon. William P. Hobby
59 President of the Senate

60 Sir:

61 We, your Committee on State Affairs to which was referred H.J.R.
62 No. 51, have had the same under consideration, and I am instructed
63 to report it back to the Senate with the recommendation that it do
64 pass and be printed.

65 Montford, Chairman

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

May 19, 1989

TO: Honorable John T. Montford, Chairman
Committee on State Affairs
Senate Chamber
Austin, Texas

In Re: House Joint Resolution
No. 51, as engrossed
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51, as engrossed (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
Public Finance Authority; Department of Agriculture;
Department of Commerce; Secretary of State;
LBB Staff: JO, JWH, AL, LD, NH

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

R E V I S E D

April 20, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$70 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$70 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create revolving funds, the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if program revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State. The bill would allow the authority to utilize any excess fund balances in the general obligation bond interest and sinking fund reserve account to repay the principal and interest on revenue bonds should the need

occur. Furthermore, revenue bond debt service could be repaid with any other available funds such as fee, appropriations and donations.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>		
1990	\$2,250,000	\$2,250,000		
1991	5,790,000	5,790,000		
1992	5,790,000	5,790,000		
1993	5,790,000	5,790,000		
1994	5,790,000	5,790,000		

<u>Fiscal Year</u>	<u>Probable Challenge Grant Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
Public Finance Authority; Department of Agriculture;
Department of Commerce; Secretary of State;
LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

April 18, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
 Public Finance Authority; Department of Agriculture;
 Department of Commerce; Secretary of State;
 LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

REVISED

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. In the event that program revenues are inadequate to provide for debt service on the general obligation bonds, there would be a cost to the General Revenue Fund to service the debt. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate to be repaid over 20 years, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Debt Service Out of the Texas Agriculture Fund	Probable Operating Cost to the Texas Department of Agriculture Out of the Texas Agricultural Fund	Change in Number of State Employees from FY 1989
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Debt Service Out of the Texas Agricultural Fund and the General Revenue Fund	Probable Operating Cost to the Texas Department of Agriculture Out of the General Revenue Fund	Change in Number of State Employees from FY 1989
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

SENATE FAVORABLE COMMITTEE REPORT

Lt. Governor William P. Hobby
President of the Senate

MAY 24
(date)/(time)

Sir:

We, your Committee on STATE AFFAIRS to which was referred
HJR 51 by HARRISON have on 5-24, 1989, had the same
(measure) (sponsor) (hearing date)

under consideration and I am instructed to report it back with the recommendation (s) that it

☒ do pass and be printed

☐ do pass and be ordered not printed

☐ and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. ☒ yes ☐ no

A revised fiscal note was requested. ☐ yes ☒ no

An actuarial analysis was requested. ☐ yes ☒ no

Considered by subcommittee. ☐ yes ☒ no

Senate Sponsor of House Measure EDWARDS

The measure was reported from Committee by the following vote:

	YEA	NAY	PNV	ABSENT
Montford, Chairman	<input checked="" type="checkbox"/>			
Henderson, Vice Chairman		<input checked="" type="checkbox"/>		
Armbrister	<input checked="" type="checkbox"/>			
Caperton				<input checked="" type="checkbox"/>
Edwards	<input checked="" type="checkbox"/>			
Glasgow	<input checked="" type="checkbox"/>			
Green	<input checked="" type="checkbox"/>			
Harris				<input checked="" type="checkbox"/>
Leedom		<input checked="" type="checkbox"/>		
Lyon	<input checked="" type="checkbox"/>			
McFarland	<input checked="" type="checkbox"/>			
Parmer				<input checked="" type="checkbox"/>
Washington				<input checked="" type="checkbox"/>
TOTAL VOTES	7	2	0	4

Morris Wilkes
COMMITTEE CLERK

Wm. Montford
CHAIRMAN

AMEND THE CAPTION TO CONFORM
TO THE BODY OF THE BILL

ADOPTED

MAY 26 1989

Betty King
Secretary of the Finance

AMENDMENT NO. 1

BY L. Caruthers
ADOPTED

MAY 26 1989

Amend HJR No. 51 as follows:

Barry King
Secretary of the Senate

(1) On page 1, line 11, strike the period following the word "law", and substitute the following:

"and for the purpose of providing money to establish a rural microenterprise development fund in the state treasury to be used without further appropriation in the manner provided by law"

(2) On page 1, line 11, between the words "The" and "fund", insert the words "Texas agricultural".

(3) On page 1, line 15, after the period following the end of the sentence, insert the following:

"The rural microenterprise development fund shall be used only in furtherance of a program established by the legislature to foster and stimulate the creation and expansion of small businesses in rural areas."

(4) On page 1, line 15, strike the words "Financial assistance" and substitute "The financial assistance offered by both funds".

(5) On page 1, strike subsection (b) and substitute the following:

"(b) The principal amount of bonds outstanding at one time may not exceed \$25 million for the Texas agricultural fund, and \$5 million for the rural microenterprise development fund."

(6) On page 1, line 22, between the word "fund" and the period following the sentence, insert: "and within the rural microenterprise development fund".

(7) On page 1, line 24, strike the word "account" and substitute the word "accounts".

(8) On page 2, line 1, strike the word "fund" and substitute the word "funds".

(9) On page 2, line 13, strike the word "amount" and substitute the word "amounts".

(10) On page 2, line 14, strike the word "account", and substitute the word "accounts".

SENATE AMENDMENTS

2nd Printing

By Harrison

H.J.R. No. 51

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature to
2 provide for the issuance of bonds and state financing of
3 development and production of Texas products and businesses.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Article III of the Texas Constitution is amended
6 by adding Section 49-i to read as follows:

7 Sec. 49-i. (a) The legislature by law may provide for the
8 issuance of general obligation bonds of the state for the purpose
9 of providing money to establish a Texas agricultural fund in the
10 state treasury to be used without further appropriation in the
11 manner provided by law. The fund shall be used only to provide
12 financial assistance to develop, increase, improve, or expand the
13 production, processing, marketing, or export of crops or products
14 grown or produced primarily in this state by agricultural
15 businesses domiciled in the state. Financial assistance may
16 include loan guarantees, insurance, coinsurance, loans, and
17 indirect loans or purchases or acceptances of assignments of loans
18 or other obligations.

19 (b) The principal amount of bonds outstanding at one time
20 may not exceed \$25 million.

21 (c) The legislature may establish an interest and sinking
22 account and other accounts within the Texas agricultural fund. The
23 legislature may provide for the investment of bond proceeds and of
24 the interest and sinking account. Income from the investment of

1 money in the fund that is not immediately committed to the payment
 2 of the principal of and interest on the bonds or the provision of
 3 financial assistance shall be used to create new employment and
 4 business opportunities in the state through the diversification and
 5 expansion of agricultural or rural small businesses, as provided by
 6 the legislature.

7 (d) Bonds authorized under this section constitute a general
 8 obligation of the state. While any of the bonds or interest on the
 9 bonds is outstanding and unpaid, there is appropriated out of the
 10 first money coming into the treasury in each fiscal year, not
 11 otherwise appropriated by this constitution, the amount sufficient
 12 to pay the principal of and interest on the bonds that mature or
 13 become due during the fiscal year, less any amount in the interest
 14 and sinking account at the close of the preceding fiscal year that
 15 is pledged to payment of the bonds or interest.

16 SECTION 2. Article XVI of the Texas Constitution is amended
 17 by adding Section 71 to read as follows:

18 Sec. 71. (a) The legislature by law may establish a Texas
 19 product development fund to be used without further appropriation
 20 solely in furtherance of a program established by the legislature
 21 to aid in the development and production of new or improved
 22 products in this state. The fund shall contain a program account,
 23 an interest and sinking account, and other accounts authorized by
 24 the legislature. To carry out the program authorized by this
 25 subsection, the legislature may authorize loans, loan guarantees,
 26 and equity investments using money in the Texas product development
 27 fund and the issuance of up to \$25 million of general obligation

1 bonds to provide initial funding of the Texas product development
 2 fund. The Texas product development fund is composed of the
 3 proceeds of the bonds authorized by this subsection, loan
 4 repayments, guarantee fees, royalty receipts, dividend income, and
 5 other amounts received by the state from loans, loan guarantees,
 6 and equity investments made under this subsection and any other
 7 amounts required to be deposited in the Texas product development
 8 fund by the legislature.

9 (b) The legislature by law may establish a Texas small
 10 business incubator fund to be used without further appropriation
 11 solely in furtherance of a program established by the legislature
 12 to foster and stimulate the development of small businesses in the
 13 state. The fund shall contain a project account, an interest and
 14 sinking account, and other accounts authorized by the legislature.
 15 A small business incubator operating under the program is exempt
 16 from ad valorem taxation in the same manner as an institution of
 17 purely public charity under Article VIII, Section 2, of this
 18 constitution. To carry out the program authorized by this
 19 subsection, the legislature may authorize loans and grants of money
 20 in the Texas small business incubator fund and the issuance of up
 21 to \$20 million of general obligation bonds to provide initial
 22 funding of the Texas small business incubator fund. The Texas
 23 small business incubator fund is composed of the proceeds of the
 24 bonds authorized by this subsection, loan repayments, and other
 25 amounts received by the state for loans or grants made under this
 26 subsection and any other amounts required to be deposited in the
 27 Texas small business incubator fund by the legislature.

1 (c) The legislature may require review and approval of the
2 issuance of bonds under this section, of the use of the bond
3 proceeds, or of the rules adopted by an agency to govern use of the
4 bond proceeds. Notwithstanding any other provision of this
5 constitution, any entity created or directed to conduct this review
6 and approval may include members, or appointees of members, of the
7 executive, legislative, and judicial departments of state
8 government.

9 (d) Bonds authorized under this section constitute a general
10 obligation of the state. While any of the bonds or interest on the
11 bonds is outstanding and unpaid, there is appropriated out of the
12 first money coming into the treasury in each fiscal year, not
13 otherwise appropriated by this constitution, the amount sufficient
14 to pay the principal of and interest on the bonds that mature or
15 become due during the fiscal year, less any amount in any interest
16 and sinking account at the end of the preceding fiscal year that is
17 pledged to payment of the bonds or interest.

18 SECTION 3. This proposed amendment shall be submitted to the
19 voters at an election to be held November 7, 1989. The ballot
20 shall be printed to provide for voting for or against the
21 proposition: "The constitutional amendment authorizing the
22 legislature to provide for the recovery and further development of
23 the state's economy, with goals of increasing job opportunities and
24 other benefits for Texas residents, through state financing of the
25 development and production of Texas products and businesses."

AMENDMENT NO. _____

BY L. C. ...
ADOPTED

MAY 20 1989

Amend HJR No. 51 as follows:

Barry King
Secretary of the Senate

(1) On page 1, line 11, strike the period following the word "law", and substitute the following:

"and for the purpose of providing money to establish a rural microenterprise development fund in the state treasury to be used without further appropriation in the manner provided by law."

(2) On page 1, line 11, between the words "The" and "fund", insert the words "Texas agricultural".

(3) On page 1, line 15, after the period following the end of the sentence, insert the following:

"The rural microenterprise development fund shall be used only in furtherance of a program established by the legislature to foster and stimulate the creation and expansion of small businesses in rural areas."

(4) On page 1, line 15, strike the words "Financial assistance" and substitute "The financial assistance offered by both funds".

(5) On page 1, strike subsection (b) and substitute the following:

"(b) The principal amount of bonds outstanding at one time may not exceed \$25 million for the Texas agricultural fund, and \$5 million for the rural microenterprise development fund."

(6) On page 1, line 22, between the word "fund" and the period following the sentence, insert: "and within the rural microenterprise development fund".

(7) On page 1, line 24, strike the word "account" and substitute the word "accounts".

(8) On page 2, line 1, strike the word "fund" and substitute the word "funds".

(9) On page 2, line 13, strike the word "amount" and substitute the word "amounts".

(10) On page 2, line 14, strike the word "account", and substitute the word "accounts".

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

May 19, 1989

TO: Honorable John T. Montford, Chairman
Committee on State Affairs
Senate Chamber
Austin, Texas

In Re: House Joint Resolution
No. 51, as engrossed
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51, as engrossed (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board; Public Finance Authority; Department of Agriculture; Department of Commerce; Secretary of State; LBB Staff: JO, JWH, AL, LD, NH

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

R E V I S E D

April 20, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$70 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$70 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create revolving funds, the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if program revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State. The bill would allow the authority to utilize any excess fund balances in the general obligation bond interest and sinking fund reserve account to repay the principal and interest on revenue bonds should the need

occur. Furthermore, revenue bond debt service could be repaid with any other available funds such as fee, appropriations and donations.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>		
1990	\$2,250,000	\$2,250,000		
1991	5,790,000	5,790,000		
1992	5,790,000	5,790,000		
1993	5,790,000	5,790,000		
1994	5,790,000	5,790,000		

<u>Fiscal Year</u>	<u>Probable Challenge Grant Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
Public Finance Authority; Department of Agriculture;
Department of Commerce; Secretary of State;
LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

April 18, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: Committee Substitute for
House Joint
Resolution No. 51

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on Committee Substitute for House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the legislature to provide for the issuance of bonds and state financing of development and production of Texas products and businesses) this office has determined the following:

The resolution proposes a constitutional amendment which, if adopted, would authorize the issuance of \$51 million in general obligation bonds for the following purposes: \$25 million for the development of new or improved products; \$20 million to stimulate the development of small businesses; and \$25 million to assist agricultural businesses. The proposed amendment would be submitted to the voters on November 7, 1989.

The cost of publication of the resolution to the State is estimated to be \$60,000.

The resolution would be implemented by legislation such as House Bill No. 1860, as introduced, with fiscal implications as follows:

House Bill 1860 would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The bill would authorize the issuance of \$51 million in general obligation bonds and \$500 million in revenue bonds for the following purposes: \$25 million in general obligation bonds for the development of new or improved products in the state; \$20 million in general obligation bonds to stimulate the development of small business in the state; \$25 million in general obligation bonds to assist agricultural business in the state; and \$500 million in revenue bonds also to assist agricultural business in the state.

The bill would authorize the Department of Commerce to use \$10 million of the general obligation bonds for challenge grants, which would be paid for out of the General Revenue Fund.

The bill would create the Texas Product Development Fund, the Small Business Incubator Fund, and the Texas Agricultural Fund to receive revenue from loan repayments and make debt service payments on general obligation bonds.

It is assumed that the revenue generated from loan repayments would be sufficient to pay the debt service on the general obligation bonds; however, if the revenue is insufficient to pay the debt service, a draw would be made on the General Revenue Fund to fund the difference. It is also assumed that the loan and grant programs created will be self-supporting from loan rates being higher than bond costs, loan origination fees, and investment earnings.

The bill also would allow the Texas Agricultural Finance Authority to establish funds to receive revenue from loan repayments and make debt service payments on revenue bonds. The revenue bonds would be repaid solely from the revenues generated from loans and would not constitute a pledge of the full faith and credit of the State.

Assuming a 20-year payout on the bonds at a 7.5 percent interest rate for general obligation bonds and a 7.75 percent interest rate for revenue bonds, the probable fiscal implications of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

<u>Fiscal Year</u>	<u>Probable Revenue Gain from General Obligation Bonds</u>	<u>Probable Debt Service Payments on General Obligation Bonds</u>	
1990	\$2,250,000	\$2,250,000	
1991	5,790,000	5,790,000	
1992	5,790,000	5,790,000	
1993	5,790,000	5,790,000	
1994	5,790,000	5,790,000	

<u>Fiscal Year</u>	<u>Probable Debt Service Payments Out of the General Revenue Fund</u>	<u>Probable Revenue Gain from Revenue Bonds</u>	<u>Probable Debt Service Payment on Revenue Bonds</u>
1990	\$375,000	\$19,375,000	\$19,375,000
1991	951,000	49,180,000	49,180,000
1992	951,000	49,180,000	49,180,000
1993	951,000	49,180,000	49,180,000
1994	951,000	49,180,000	49,180,000

Similar annual fiscal implications would continue through the year 2009. Total payout on the general obligation bonds is estimated to be \$137,750,000 and total payout on the revenue bonds is estimated to be \$1,002,982,752.

<u>Fiscal Year</u>	<u>Probable Revenue Gain to the Texas Department of Agriculture from Administrative Funds</u>	<u>Probable Operating Cost to the Texas Department of Agriculture</u>	<u>Probable Revenue Gain to the Texas Department of Commerce from Administrative Fees</u>
1990	\$89,900	\$89,900	\$227,296
1991	83,900	83,900	222,295
1992	83,900	83,900	215,295
1993	83,900	83,900	215,295
1994	83,900	83,900	215,295

<u>Fiscal Year</u>	<u>Probable Operating Cost to the Texas Department of Commerce</u>	<u>Change in Number of State Employees from FY 1989</u>
1990	\$227,296	+ 6
1991	222,295	+ 6
1992	215,295	+ 6
1993	215,295	+ 6
1994	215,295	+ 6

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Comptroller of Public Accounts; Bond Review Board;
 Public Finance Authority; Department of Agriculture;
 Department of Commerce; Secretary of State;
 LBB Staff: JO, JWH, AL, LD, LV

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

REVISED

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. In the event that program revenues are inadequate to provide for debt service on the general obligation bonds, there would be a cost to the General Revenue Fund to service the debt. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate to be repaid over 20 years, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Debt Service Out of the Texas Agriculture Fund	Probable Operating Cost to the Texas Department of Agriculture Out of the Texas Agricultural Fund	Change in Number of State Employees from FY 1989
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE

March 22, 1989

TO: Honorable Dudley Harrison, Chair
Committee on Agriculture and Livestock
House of Representatives
Austin, Texas

In Re: House Joint
Resolution No. 51
By: Harrison

FROM: Jim Oliver, Director

In response to your request for a Fiscal Note on House Joint Resolution No. 51 (proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural crops and agricultural products produced in Texas) this office has determined the following:

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the resolution.

The resolution proposes a constitutional amendment which, if adopted, would authorize the Texas Agricultural Finance Authority to issue up to \$25,000,000 in general obligation bonds. Bond proceeds would be deposited into the Texas Agricultural Fund and would be used to provide financial assistance to eligible agricultural businesses and to pay the costs of bond issuance and administration. Current constitutional provisions relating to the review and approval of bonds and to the status of the bonds as a general obligation of the state would apply to bonds authorized under the provisions of this resolution.

The cost of publication of the resolution to the state is estimated to be \$60,000.

The proposed amendment would be submitted to the voters on November 7, 1989.

The amendment would be implemented by a statute such as House Bill No. 1111 which provides the following:

Assuming that \$25,000,000 in bonds are issued at a 7.5 percent interest rate, the probable cost of implementing the provisions of the resolution during each of the first five years following passage is estimated as follows:

Fiscal Year	Probable Debt Service Out of the Texas Agricultural Fund and the General Revenue Fund	Probable Operating Cost to the Texas Department of Agriculture Out of the General Revenue Fund	Change in Number of State Employees from FY 1989
1990	\$2,452,304	\$169,900	+ 2
1991	2,452,304	83,900	+ 2
1992	2,452,304	83,900	+ 2
1993	2,452,304	83,900	+ 2
1994	2,452,304	83,900	+ 2

Similar annual costs would continue as long as the provisions of the resolution are in effect.

No fiscal implication to units of local government is anticipated.

Criminal Justice Policy Impact Statement: No change in the sanctions applicable to adults convicted of felony crimes is anticipated.

Source: Department of Agriculture; Bond Review Board; Public Finance Authority
Secretaty of State; LBB Staff: JO, JWH, AL, LD, CKM

F
ENROLLED

H.J.R. No. 51

A JOINT RESOLUTION

1 proposing a constitutional amendment authorizing the legislature to
2 provide for the issuance of bonds and state financing of
3 development and production of Texas products and businesses.

4 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Article III of the Texas Constitution is amended
6 by adding Section 49-i to read as follows:

7 Sec. 49-i. (a) The legislature by law may provide for the
8 issuance of general obligation bonds of the state for the purpose
9 of providing money to establish a Texas agricultural fund in the
10 state treasury to be used without further appropriation in the
11 manner provided by law and for the purpose of providing money to
12 establish a rural microenterprise development fund in the state
13 treasury to be used without further appropriation in the manner
14 provided by law. The Texas agricultural fund shall be used only to
15 provide financial assistance to develop, increase, improve, or
16 expand the production, processing, marketing, or export of crops or
17 products grown or produced primarily in this state by agricultural
18 businesses domiciled in the state. The rural microenterprise
19 development fund shall be used only in furtherance of a program
20 established by the legislature to foster and stimulate the creation
21 and expansion of small businesses in rural areas. The financial
22 assistance offered by both funds may include loan guarantees,
23 insurance, coinsurance, loans, and indirect loans or purchases or
24 acceptances of assignments of loans or other obligations.

1 (b) The principal amount of bonds outstanding at one time
2 may not exceed \$25 million for the Texas agricultural fund and \$5
3 million for the rural microenterprise development fund.

4 (c) The legislature may establish an interest and sinking
5 account and other accounts within the Texas agricultural fund and
6 within the rural microenterprise development fund. The legislature
7 may provide for the investment of bond proceeds and of the interest
8 and sinking accounts. Income from the investment of money in the
9 funds that is not immediately committed to the payment of the
10 principal of and interest on the bonds or the provision of
11 financial assistance shall be used to create new employment and
12 business opportunities in the state through the diversification and
13 expansion of agricultural or rural small businesses, as provided by
14 the legislature.

15 (d) Bonds authorized under this section constitute a general
16 obligation of the state. While any of the bonds or interest on the
17 bonds is outstanding and unpaid, there is appropriated out of the
18 first money coming into the treasury in each fiscal year, not
19 otherwise appropriated by this constitution, the amount sufficient
20 to pay the principal of and interest on the bonds that mature or
21 become due during the fiscal year, less any amounts in the interest
22 and sinking accounts at the close of the preceding fiscal year that
23 are pledged to payment of the bonds or interest.

24 SECTION 2. Article XVI of the Texas Constitution is amended
25 by adding Section 71 to read as follows:

26 Sec. 71. (a) The legislature by law may establish a Texas
27 product development fund to be used without further appropriation

1 solely in furtherance of a program established by the legislature
2 to aid in the development and production of new or improved
3 products in this state. The fund shall contain a program account,
4 an interest and sinking account, and other accounts authorized by
5 the legislature. To carry out the program authorized by this
6 subsection, the legislature may authorize loans, loan guarantees,
7 and equity investments using money in the Texas product development
8 fund and the issuance of up to \$25 million of general obligation
9 bonds to provide initial funding of the Texas product development
10 fund. The Texas product development fund is composed of the
11 proceeds of the bonds authorized by this subsection, loan
12 repayments, guarantee fees, royalty receipts, dividend income, and
13 other amounts received by the state from loans, loan guarantees,
14 and equity investments made under this subsection and any other
15 amounts required to be deposited in the Texas product development
16 fund by the legislature.

17 (b) The legislature by law may establish a Texas small
18 business incubator fund to be used without further appropriation
19 solely in furtherance of a program established by the legislature
20 to foster and stimulate the development of small businesses in the
21 state. The fund shall contain a project account, an interest and
22 sinking account, and other accounts authorized by the legislature.
23 A small business incubator operating under the program is exempt
24 from ad valorem taxation in the same manner as an institution of
25 purely public charity under Article VIII, Section 2, of this
26 constitution. To carry out the program authorized by this
27 subsection, the legislature may authorize loans and grants of money

1 in the Texas small business incubator fund and the issuance of up
2 to \$20 million of general obligation bonds to provide initial
3 funding of the Texas small business incubator fund. The Texas
4 small business incubator fund is composed of the proceeds of the
5 bonds authorized by this subsection, loan repayments, and other
6 amounts received by the state for loans or grants made under this
7 subsection and any other amounts required to be deposited in the
8 Texas small business incubator fund by the legislature.

9 (c) The legislature may require review and approval of the
10 issuance of bonds under this section, of the use of the bond
11 proceeds, or of the rules adopted by an agency to govern use of the
12 bond proceeds. Notwithstanding any other provision of this
13 constitution, any entity created or directed to conduct this review
14 and approval may include members, or appointees of members, of the
15 executive, legislative, and judicial departments of state
16 government.

17 (d) Bonds authorized under this section constitute a general
18 obligation of the state. While any of the bonds or interest on the
19 bonds is outstanding and unpaid, there is appropriated out of the
20 first money coming into the treasury in each fiscal year, not
21 otherwise appropriated by this constitution, the amount sufficient
22 to pay the principal of and interest on the bonds that mature or
23 become due during the fiscal year, less any amount in any interest
24 and sinking account at the end of the preceding fiscal year that is
25 pledged to payment of the bonds or interest.

26 SECTION 3. This proposed amendment shall be submitted to the
27 voters at an election to be held November 7, 1989. The ballot

H.J.R. No. 51

1 shall be printed to provide for voting for or against the
2 proposition: "The constitutional amendment authorizing the
3 legislature to provide for the recovery and further development of
4 the state's economy, with goals of increasing job opportunities and
5 other benefits for Texas residents, through state financing of the
6 development and production of Texas products and businesses."

H.J.R. No. 51

President of the Senate

Speaker of the House

I certify that H.J.R. No. 51 was passed by the House on May 5, 1989, by the following vote: Yeas 132, Nays 0; and that the House concurred in Senate amendments to H.J.R. No. 51 on May 28, 1989, by the following vote: Yeas 140, Nays 2, 1 present, not voting.

Chief Clerk of the House

I certify that H.J.R. No. 51 was passed by the Senate, with amendments, on May 26, 1989, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

RECEIVED: _____

Date

Secretary of State

President of the Senate

Speaker of the House

I certify that H.J.R. No. 51⁽¹⁾ was passed by the House
on May 5⁽²⁾, 1989, by the following vote:
Yeas 132⁽³⁾, Nays 0⁽⁴⁾;

and that the House concurred in Senate amendments to H.J.R. No. 51⁽⁵⁾
on May 28⁽⁵⁾, 1989, by the following
vote: Yeas 140⁽⁶⁾, Nays 2⁽⁷⁾, 1 present, not voting.

Chief Clerk of the House

**** Preparation: 'A;CT20;

I certify that H.J.R. No. 51⁽¹⁾ was passed by the Senate, with
amendments, on May 26⁽²⁾, 1989, by the following
vote: Yeas 31⁽³⁾, Nays 0⁽⁴⁾

Secretary of the Senate

RECEIVED:

Date

Secretary of State

**** Preparation: 'A;CT22;

HOUSE JOINT RESOLUTION

proposing a constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to agricultural businesses of Texas to increase, improve, and expand the production, processing, marketing and export of agricultural...

FEB 14 1989

1. Filed with the Chief Clerk.

FEB 20 1989

2. Read first time and referred to Committee on

Agriculture & LivestockAPR 12 19893. Reported favorably ^(as amended)
_(as substituted) and sent to Printer at6:30pm
APR 21 1989APR 23 1989

4. Printed and distributed at

10:12pmAPR 24 1989

5. Sent to Committee on Calendars at

4:35pmMAY 5 19896. Read second time ^{as subs.} ~~(amended)~~ and (finally) passed ~~to Third Reading~~ by a Record Vote of 132 yeas, 0 nays, 0 present, not voting.

7. Motion to reconsider and table the vote by which H.J.R. _____ was ordered engrossed prevailed (failed) by (Non-Record Vote) (Record Vote of _____ yeas, _____ nays, _____ present, not voting).

8. Read third time (amended) and finally adopted (failed of adoption) by a Record Vote of _____ yeas, _____ nays, _____ present, not voting.

9. Caption ordered amended to conform to body of resolution.

10. Motion to reconsider and table the vote by which H.J.R. _____ was finally adopted prevailed (failed) by a (Non-Record Vote) Record Vote of _____ yeas, _____ nays, and _____ present, not voting).

MAY 5 1989

11. Ordered Engrossed at

1:05pmMAY 5 1989

12. Engrossed.

MAY 5 1989

13. Returned to Chief Clerk at

9:41pmMAY 8 1989

14. Sent to the Senate.

MAY 8 1989

15. Received from the House

MAY 9 1989

16. Read, referred to Committee on

STATE AFFAIRSMAY 25 1989

17. Reported favorably

18. Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

19. Ordered not printed.

MAY 25 1989

20. Regular order of business suspended by

U.C.
(a viva voce vote.)

(_____ yeas, _____ nays.)

21. To permit consideration, reading and passage, Senate and Constitutional Rules suspended by vote of _____ yeas, _____ nays.

MAY 25 198922. Read second time amended passed to third reading by:

(a viva voce vote.)

(_____ yeas, _____ nays.)

Boyd Murray
Chief Clerk of the House

MAY 26 1989

23. Caption ordered amended to conform to body of bill.

MAY 26 1989

24. Senate and Constitutional 3-Day Rules suspended by vote of 30 yeas,
1 nays to place bill on third reading and final passage.

MAY 26 1989

25. Read third time and passed by

(a-viva-voce vote.)
(31 yeas, 0 nays.)

OTHER ACTION:

OTHER ACTION:

Betty King

Secretary of the Senate

5-26-89

26. Returned to the House.

MAY 26 1989

27. Received from the Senate (with amendments.)
(~~as substituted.~~)

MAY 28 1989

28. House ~~(Concurred)~~ ^{Concurred} ~~(Refused to Concur)~~ in Senate (Amendments) by a (Non-Record
~~Vote~~) (Record Vote of 140 yeas, 2 nays, 1 present,
not voting).

29. Conference Committee Ordered.

30. Conference Committee Report Adopted (Rejected) by a (Non-Record Vote) (Record
Vote of _____ yeas, _____ nays, and _____ present, not voting).

MAY 28 1989

31. Ordered Enrolled at

7:08 pm